



**ALABAMA DEPARTMENT OF TRANSPORTATION
& CITY OF HUNTSVILLE
\$250 MILLION ROADS PROPOSAL AND FUNDING PLAN**

Frequently Asked Questions

1. Has the City of Huntsville explored other revenue options?

Yes, City administrators have looked at all viable funding options based on the following criteria:

- The cost-sharing arrangement requires a minimum of \$25 million per year
- The revenue stream needs to be immediately available for road work to begin right away

These options include:

Fuel Tax - Based on current fuel purchases in Huntsville, the City would have to charge at least an additional 25 cents per gallon to reach \$25 million in new revenues per year. This would most likely drive residents to purchase gas outside City limits. In addition, those that do purchase fuel in Huntsville would most likely be residents. A fuel tax must also be a per gallon flat rate, as opposed to a percentage. This means gas tax revenues will likely decline each year as cars become more fuel-efficient.

Business Licenses - Business licenses, subject to increase, generate approximately \$16 million per year. The City would need to triple the fees, all of which are increases on Huntsville businesses. This places the road costs on local businesses, which in turn, will pass the cost along to the consumer.

Property Tax – Requires a bill passed through the legislature to place a statewide referendum on the ballot and a public vote. It could take up to one year for approval, time the City doesn't have with this roads proposal. ALDOT has asked Huntsville to move quickly on the offer before other communities become aware and request the same cost-sharing arrangement. ALDOT does not have any more funding for another joint-roads agreement.

Bond Issue – The bond market is not an option to fund this road package, unless an equal amount of existing projects is deferred in the City’s ten-year plan. The City already cut \$80 million from its capital budget because of the recession, and this has created a backlog of needs, some of which could be addressed through prudent use of bonds in the coming years. The sales tax is a “pay as you go” plan for roads and doesn't strap the City with additional debt.

Toll Road – The seven road projects in ALDOT’s proposal are not controlled access corridors and would not be eligible for a toll road.

Liquor Tax – The City liquor tax is 12 percent (retail sales only) and earns \$2.4 million per year. The liquor tax would have to increase 120 percent of the sales price. A \$10 bottle of spirits would cost \$22. This action would place an unreasonable burden on retail businesses and would drive revenues down.

Tobacco Tax – The City’s 10 cents per package tax earns about \$1.2 million per year. The tax would need to rise to \$2.20 per package. This action would likely drive business out of Huntsville.

Sales Tax – With the exception of sales tax, there is not a single revenue source available to the City in the short term that would generate the minimum \$25 million required in the roads cost-share arrangement.

The one cent sales tax would take effect March 1, 2014 and is expected to generate between \$30-\$34 million annually. It provides a “pay as you go” approach for everyone who uses the City’s roads. Huntsville is a regional retail center, and a significant portion (approximately 25 percent) of the tax will be paid by people who live outside the City, many of whom work in Huntsville and use the City’s resources.

Huntsville's last sales tax increase was in 1989. At eight percent, the City's tax is among the lowest in the State. The one percent would bring the City's combined sales and use tax rate to nine percent, in line with other urban areas surrounding Huntsville including Athens, Arab, Madison, Scottsboro and Decatur. The new rate is still lower than Birmingham, Montgomery and Mobile at 10 percent. The proposed one percent increase in Huntsville would not apply to automobile sales.

2. Why can't the City take the money from its current budget?

Huntsville is widely recognized as one of the most fiscally responsible communities in the nation. Throughout the financial challenges of the past five years, the City has used all of the tools in its toolbox to cut spending, reduce the size of government, and do more with less. The City cut budgets 10 percent, cut outside agency funding 10 percent, eliminated all non-essential budget items, implemented a limited hiring freeze, offered employee buy-outs, and cut \$80 million from the capital plan to balance the operating budget. The City paid down debt and earned five straight triple-A credit ratings from both Moody's and Standard and Poor's investment services. While the City has done an outstanding job maximizing its resources, there are no additional funds available for major roads projects.

3. Will the sales tax expire after the five-year roads agreement is complete?

No, the sales tax will not expire, and the funds will be earmarked for roads, and capital/economic development projects. The \$250 million, five-year road package is only part of the nearly half billion dollars in road plans that were delayed in the State's budget. There are more critical roads to be addressed, such as the continuation of the MLK Bypass to 72 east, the Southern Bypass, and improvements on Research Park Boulevard to Highway 53. The continuation of the one-cent sales tax will help ensure the City has the funding in place to pay its share of these road projects and to use any remaining funds on capital/economic development projects that improve quality of life such as greenways and parks.

4. A sales tax is regressive. Why choose this tax?

Because of Alabama's tax structure, all City taxes and fees are regressive since they are percentages or flat rates, both of which affect the poor disproportionately. In general, with the exception of some business license fees (a relatively small share of municipal revenue), only income taxes provide the opportunity to have higher tax percentages on higher incomes, and Huntsville cannot adopt an income tax. An occupational tax provides a similar opportunity to tax people who live outside the city but work in Huntsville and use our resources; however, a 2010 state law blocked Huntsville from having such a tax. About 25 percent of the sales tax increase will be paid by people living outside Huntsville, lessening the overall burden on Huntsville residents and those least able to pay.

5. Can the City of Huntsville exempt groceries and medicine from the sales tax?

State law does not allow municipalities to exempt food or medicine from taxes. It would require legislative action and the Governor's approval to change the law.

6. Will this tax increase mean the City will pave more neighborhood roads?

The City of Huntsville has a long-term road improvement and maintenance plan that contains significantly more needs than resources allow. The situation was exacerbated through the recession. The City budgets about \$3 million per year for road repaving and the Public Works department creates a priority list based on traffic counts and conditions. By comparison, if the City were to resurface every road in the City of Huntsville, it would cost \$2 billion.

7. These roads belong to the State. Why doesn't Huntsville wait for ALDOT to pay for the work?

The State of Alabama should be paying for the road construction, but the Department of Transportation does not have the money. It doesn't appear the State will have the money any time in the foreseeable future. We can't afford to let Huntsville's quality of life and economic future suffer because the State can't take care of its responsibility. At the end of the day, these roads are in Huntsville, and it is our citizens that need and use them.

Huntsville has always had the vision to move forward and take care of its needs. We don't wait for someone to do the job for us. We have challenged the State, fought the good fight to "Restore Our Roads," and now we have the opportunity to participate in a joint-agreement that appears to be the best possible solution.

8. What happens if the City Council does not approve the sales tax?

There is no plan B. The City of Huntsville will lose the \$250 million offer and the road improvements will not be built anytime in the foreseeable future.

The sales tax increase is the only viable option available to meet the State's joint agreement timeline.